



SCOTT M. MATHESON
Governor

GORDON E. HARMSTON
Executive Director,
NATURAL RESOURCES

CLEON B. FEIGHT
Director

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS, AND MINING
1588 West North Temple
Salt Lake City, Utah 84116
(801) 533-5771

February 1, 1980

OIL, GAS, AND MINING BOARD

CHARLES R. HENDERSON
Chairman

JOHN L. BELL
C. RAY JUVELIN
THADIS W. BOX
CONSTANCE K. LUNDBERG
EDWARD T. BECK
E. STEELE McINTYRE

REGISTERED-RETURN RECEIPT REQUESTED

Mr. Clyde Cheney, President
Sapphire Corporation
1884 Harrison Ave.
Salt Lake City, Utah 84109

Re: Reclamation Surety
Spectrum Quarry
ACT/027/003
Millard County, Utah

Dear Mr. Cheney:

The Division of Oil, Gas, and Mining feels that Sapphire Corporation has had more than adequate time to post the required reclamation surety for the Spectrum Quarry, located in Millard County, Utah.

Please be reminded that final approval has not been, nor will it be issued until the Division is in receipt of said surety. You will recall that the Board of Oil, Gas, and Mining approved the form and amount of surety to be an Escrow Agreement in the amount of \$11,525.00, with an initial 10 percent deposit of \$1,152.50 and monthly payments thereafter of \$432.19 until the total amount has been reached, excluding a minimum annual interest of 6 percent which is to accumulate in the Escrow Fund. Also, be reminded that the fund is to be a joint account in the names of the State of Utah, Division of Oil, Gas, and Mining, and Sapphire Corporation.

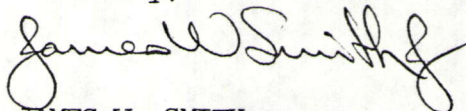
Further, any mining activity taking place at the Spectrum Quarry other than that portion of the operation involving overburden removal from the top of the quarry, as allowed by the Division and the Board, is considered to be in violation of the Utah Mined Land Reclamation Act.

Mr. Clyde Cheney
February 1, 1980
Page Two

If the required surety agreement has not been consumated by February 29, 1980, an Order to Show Cause will be issued requesting Sapphire Corporation to appear before the Board of Oil, Gas, and Mining at its March 26, 1980 meeting to answer why tentative approval shall not be withdrawn.

Your prompt attention to this matter would be greatly appreciated. Should you have any questions please call.

Sincerely,

A handwritten signature in cursive script, appearing to read "James W. Smith".

JAMES W. SMITH
RECLAMATION SOILS SPECIALIST

JWS/sp

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
BOARD OF OIL, GAS, AND MINING
1588 West North Temple
Salt Lake City, Utah 84116

Spectrum Quarry Mine

* MINED LANDS RECLAMATION AGREEMENT *

(ESCROW)

THIS AGREEMENT, made and entered into this _____ day of _____, 19____, between Sapphire Corporation a corporation duly authorized and existing under and by virtue of the laws of Utah as party of the first part, and hereinafter called the Operator, and the Board of Oil, Gas, and Mining, duly authorized and existing by virtue of the laws of the State of Utah, as party of the second part hereinafter called the Board.

WITNESSETH:

WHEREAS, the Operator is the owner and in possession of certain mining claims and/or leases hereinafter more particularly mentioned and described in Exhibit "A" attached hereto.

WHEREAS, the Operator did on the 16th day of February, 1979, file with the Division of Oil, Gas, and Mining, a "Notice of Intention to Commence Mining Operations": and a "Mining and Reclamation Plan" to secure authorization to engage, or continue to engage, in mining operations in the State of Utah, under the terms and provisions of the Mined Land Reclamation Act, Section 40-8, UCA, 1953;

WHEREAS, the Operator is able and willing to reclaim the above mentioned "lands affected" in accordance with the approved mining and reclamation plan, the Mined Land Reclamation Act and the rules and regulations adopted in accordance therewith.

WHEREAS, the Board has considered the factual information and recommendations provided by the staff of the Division of Oil, Gas, and Mining as to the magnitude, type and costs of the approved reclamation activities planned for the land affected.

WHEREAS, the Board is cognizant of the nature, extent, duration of operations, and the fact that the Operator has been unable to obtain a surety bond.

MINED LAND RECLAMATION AGREEMENT (ESCROW)

MR FORM 7a

Page 2 of 6

NOW THEREFORE, for and in consideration of the mutual covenants of the parties by each to the other made and herein contained, the parties hereto agree as follows:

1. The Operator promises to reclaim the land affected in accordance with the approved mining and reclamation plan, the Mined Land Reclamation Act, and the rules and regulations adopted in accordance therewith.
2. The Operator, in lieu of posting a bond or other surety, hereby agrees to deposit the sum of (\$1,152.50) dollars on or before the 1st day of June, 1979, and the sum of (\$432.19) dollars commencing on the 1st day of July, 1979 and on the same date each month thereafter, in what will be hereinafter referred to as the Escrow Fund, until such time as said Escrow Fund contains (\$11,525.00) dollars, excluding interest.
3. The Board, in lieu of the posting of a bond or other surety, agrees to execute an Escrow Agreement with the Operator and any third party designated by said Operator.
4. Upon execution of the Escrow Agreement, the Operator agrees to furnish the Board a copy of each receipt of deposit no later than the 10th day of each month.
5. The Board and the Operator agree that failure by the Operator to make a deposit into the Escrow Fund for any two consecutive months, shall constitute a Breach of Contract and the Board may, after notice and hearing, declare all monies in the Escrow Fund forfeited and request the Attorney General to take the necessary legal actions to enjoin further mining activities by the Operator in the State of Utah.

IN WITNESS WHEREOF, the parties of the first and second parts hereto have respectively set their hands and seals this _____ day of _____, 19__.

By: _____

ATTEST:

Secretary

BOARD OF OIL, GAS, AND MINING

By: _____

Note: If the Operator is a corporation, the agreement should be executed by its duly authorized officer with the seal of the Corporation affixed.

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
BOARD OF OIL, GAS, AND MINING
1588 West North Temple
Salt Lake City, Utah 84116

Spectrum Quarry Mine

* ESCROW AGREEMENT *

AGREEMENT made this _____ day of _____
19____, between the Board of Oil, Gas, and Mining, hereinafter called the
Board, and Sapphire Corporation hereinafter called the Operator, and
_____ hereinafter called the ESCROW AGENT.

WHEREAS, the Board and the Operator have entered into a Mined Land
Reclamation Agreement upon terms and conditions therein set forth.

WHEREAS, the Operator desires to execute an Escrow Agreement in
lieu of furnishing a Bond or other form of surety for the purpose of
meeting the requirements of Section 40-8-14, UCA, 1953.

IT IS THEREFORE AGREED:

1. Deposit of Escrow Fund. The Operator, in lieu of posting
a bond or other surety, hereby agrees to deposit an
initial sum of (\$1,152.50) dollars on or before the 1st
day of June, 1979 and commencing on the 1st day of
July 1979, and on the same date each month thereafter,
the Escrow Agent agrees to accept and the Operator agrees
to deposit (\$432.19) dollars, in what will be hereinafter
referred to as the Escrow Fund, until such time as said
Escrow Fund contains (\$11,525.00) dollars, excluding
interest. All interest earned by the monies in said Fund
shall accumulate to the benefit of the Fund until this
Escrow Agreement is terminated by mutual consent of the
undersigned or disbursement of the Funds therein is
ordered by a court of competent jurisdiction.
2. Depository of Fund. The Fund shall be held by the Escrow
Agent in an interest bearing account separate and apart
from the personal funds of the Escrow Agent until such
time as the Escrow Agent receives written direction, with
respect to the disbursement of said Fund, together with
interest earned thereby, signed by both the Board and the
Operator. The interest earned by the Fund shall not be
at a rate less than six (6) percent per year.

3. Disputes. In the event of any disagreement between the undersigned or any of them, and/or any other person, resulting in adverse claims and demands being made in connection with any money, or property involved herein or affected hereby, the Escrow Agent shall be entitled at its option to refuse to comply with any such claim or demand, so long as such disagreement shall continue, and in so refusing, the Escrow Agent shall not become liable to the undersigned or any of them or to any other person for failure or refusal to comply with such conflicting or adverse demands and the Escrow Agent shall be entitled to continue to refrain and refuse to act until:
- (a) the rights of the adverse claimants having been finally adjudicated in a court assuming and having jurisdiction of the parties, the money and property involved herein or affected hereby; and/or
 - (b) all differences shall have been adjusted by agreement and the Escrow Agent shall have been notified thereof in writing signed by all of the interested parties.
4. Liability of Escrow Agent. The Escrow Agent shall not be liable for any error of judgement or for any act done or step taken or omitted by him in good faith, or for any mistake of fact or law or for anything which he may do or refrain from doing in connection herewith, except his own willful misconduct.
5. Accounting. The Escrow Agent shall furnish a formal accounting for the Escrow Fund at the end of each calendar or fiscal year, and shall notify the Board and the Operator as to the date each payment was made into said Fund, the total amount contained therein and the interest accumulated thereby.

6. Fee. The fee of the Escrow Agent has been fixed by the Operator and the Escrow Agent under separate agreement. The Escrow Agent shall not be entitled to any additional fee for services rendered under this agreement.
7. Modification. This agreement may not be altered or modified without the express written consent of the Operator, the Board and the Escrow Agent.
8. Reevaluation. This agreement is to be reevaluated by the Board every five (5) years from the date of approval.

IN WITNESS WHEREOF, the parties of the first and second parts hereto have respectively set their hands and seals this _____ day of _____ 19 ____.

By: _____

ATTEST:

Secretary

BOARD OF OIL, GAS, AND MINING

By: _____

APPROVED AS TO FORM

ATTORNEY GENERAL, ROBERT B. HANSEN

By: _____
Special Assistant Attorney General

Page 6 of 6

STATE OF UTAH)
COUNTY OF _____): ss

On this _____ day of _____, 19____, personally appeared before me Clyde L. Cheney, who being by me duly sworn did say that he is the President of Sapphire Corporation, a Utah Corporation, and that the foregoing instrument was signed in behalf of said corporation by authority of its Board of Directors, and said Clyde L. Cheney acknowledged to me that said corporation executed the same.

NOTARY PUBLIC
Residing in _____, Utah

My commission Expires:

ACKNOWLEDGMENT

_____,
the Escrow Agent named in the foregoing Agreement, hereby acknowledges that there is on deposit at _____
(address)
deposited to the credit of Sapphire Corporation and the State of Utah
Operator named in the foregoing agreement, in the sum of \$1,152.50 said sum constituting the first installment of the Escrow Fund; that it is aware of the within agreement, that it agrees to make disbursement of the proceeds of the within named trust account only within the provisions of the terms as outlined in said agreement.

By: _____
_____(Title)

STATE OF UTAH)
COUNTY OF _____): ss

On this _____ day of _____, 19____, personally appeared before me _____, who being by me duly sworn did say that he is the _____ of _____, a _____ Corporation, and that the foregoing instrument was signed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged to me that said corporation executed the same.

NOTARY PUBLIC
Residing in _____, Utah

My Commission Expires:
